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United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5H (A/63/5/Add.8)

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Note

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31 March 2008

In accordance with United Nations financial regulation 6.5 and rule 106.1, I have the honour to transmit the financial report and statements of the United Nations Human Settlements Programme, including associated trust funds and other related accounts for the biennium ended 31 December 2007, which I hereby approve.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Anna Kajumulo **Tibaijuka**
Executive Director
United Nations Human Settlements Programme

The Chairman of the Board of Auditors
United Nations
New York

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman, United Nations Board of Auditors
(Lead Auditor)

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2007

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report and statements of the United Nations Human Settlements Programme (UN-Habitat), including associated trust funds and other related accounts, for the biennium ended 31 December 2007. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. The accounts were transmitted to the Board of Auditors on 31 March 2008.

2. Comparative data for the biennium ended 31 December 2005, as appropriate, have been reflected in the financial statements.

3. Effective 2006-2007, the following changes have been made, in conformity with United Nations Secretariat reporting requirements and in preparation for the United Nations adoption of the International Public Sector Accounting Standards by 2010:

(a) The inter-fund balances are no longer being offset;

(b) The accounts receivable and accounts payable are being reported without offsetting;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance liabilities and unused vacation days, which were previously disclosed in notes to the financial statements, are now presented as liabilities in the accounts. The effect of this change is an increase in total liabilities and a reduction in the cumulative reserves and fund balances.

The balances of 31 December 2005 have been restated to reflect the above changes.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. Financial overview

5. Statements I to III show the financial position of UN-Habitat for the bienniums ended 31 December 2007 and 31 December 2005.

6. UN-Habitat income for the biennium ended 31 December 2007 increased by $61.5 million (27 per cent), to $290.0 million.

7. Expenditure for the same biennium increased by $81.1 million (48 per cent), to $250.4 million.

8. The net excess of income over expenditure before adjustments decreased by $19.6 million (33 per cent), to $39.6 million.

9. The cash position including the cash pool as at 31 December 2007 increased by $45.1 million (35 per cent), to $174.2 million.

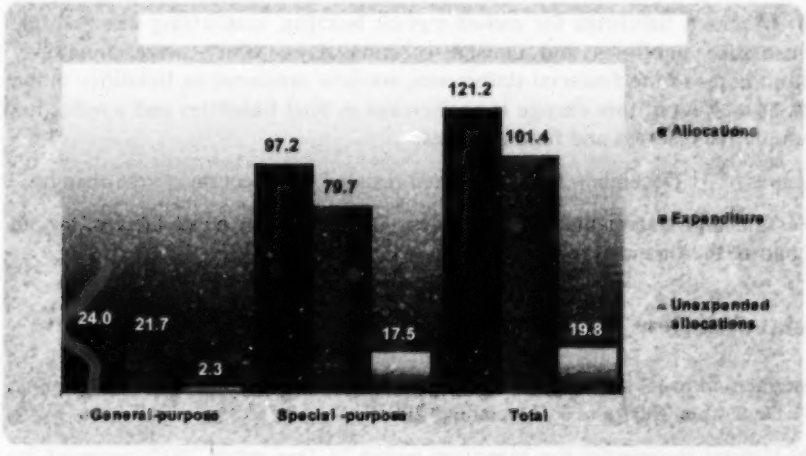
Foundation activities

10. The Governing Council, in its resolution 20/19 of 8 April 2005, approved for the biennium 2006-2007 a budget of $27.6 million for general-purpose (non-earmarked) expenditure and endorsed the special-purpose (earmarked) budget of $55.1 million. The Governing Council further authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust the level of allocations for the programme activities to bring them into line with the actual level of income. At its twenty-first session the Governing Council endorsed a revised special-purpose budget of $71.6 million.

11. UN-Habitat received pledges and contributions for its Foundation activities of $136.3 million for the biennium ended 31 December 2007, as compared to $79.7 million for the biennium ended 31 December 2005, an increase of 71 per cent.

12. Expenditure of $101.4 million for Foundation activities before the elimination of programme support costs and within the budget allocations of $121.2 million was approved by the Executive Director. The allocations and expenditure for foundation activities for the biennium ended 31 December 2007 are presented in figure I.I.

Figure I.I
Foundation activities: status of allocations
(Millions of United States dollars)

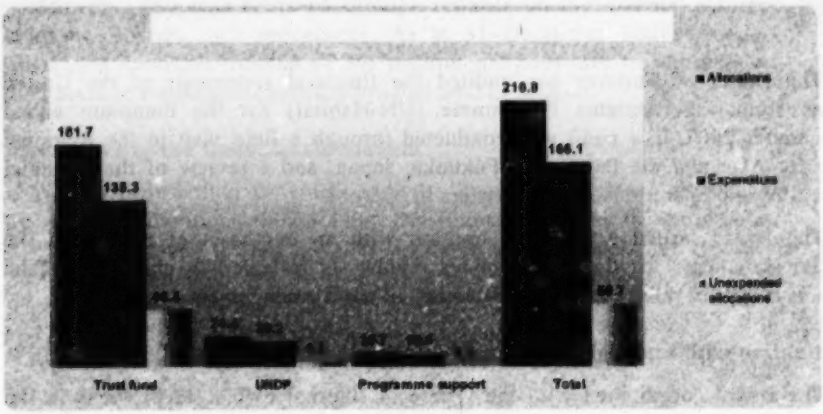


Technical cooperation activities

13. For the biennium ended 31 December 2007, UN-Habitat received contributions of $121.6 million for its technical cooperation activities, as compared to $116.9 million for the biennium ended 31 December 2005, an increase of 4 per cent. An additional amount of $19.0 million was received in respect of projects funded by the United Nations Development Programme (UNDP).

14. Expenditure of $166.1 million before the elimination of programme support cost activities is within the budget allocations of $216.8 million approved by the Executive Director. Allocations and expenditure for technical cooperation activities for the biennium ended 31 December 2007 are presented in figure I.II.

Figure I.II
Technical cooperation activities: status of allocations
(Millions of United States dollars)



End-of-service and post-retirement benefits

15. As at 31 December 2007 UN-Habitat had fully accrued for end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits. Since July 2002 UN-Habitat has been accruing repatriation benefits at 8 per cent of net salary, but no accruals have been made in respect of after-service health insurance and unused vacation days, as these have normally been charged on a "pay-as-you-go" basis. Fully charging these liabilities in the financial statements as at 31 December 2007 results in an amount of $8.1 million of unbudgeted expenditure being shown in statement I. The accruals that have been made are based on amounts provided by the United Nations Secretariat, and in respect of after-service health insurance, this was determined through an actuarial study. Details are disclosed in statement VIII and note 13 to the financial statements.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2007. The audit was conducted through a field visit to the Regional Office for Asia and the Pacific, in Fukuoka, Japan, and a review of the financial transactions and operations at headquarters in Nairobi.

The Board issued a modified opinion with an emphasis of matter on the financial statements for the period under review, as reflected in chapter III. The emphasis of matter relates to the insufficiency of asset management.

Coordination with internal audit

The Board coordinated with the Office of Internal Oversight Services in the planning of the audit in order to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage of the operations of UN-Habitat to assess the extent to which reliance could be placed on the work of the Office of Internal Oversight Services.

Follow-up on previous recommendations

As requested by the Advisory Committee on Administrative and Budgetary Questions, and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial periods in which such recommendations were first made. Out of a total of 18 recommendations, 14 had been implemented, 3 were partially implemented and 1 had been rejected. Out of the four recommendations that had not been fully implemented, one dated back to the 2002-2003 financial period.

Financial overview

For the period under review, total income amounted to $289.9 million, compared with $228.4 million for the previous biennium,[a] representing a 27 per cent increase. Total expenditure amounted to $250.4 million, compared with $169.2 million for the previous biennium, a 48 per cent increase. This resulted in an excess of income over expenditure of $39.5 million, compared with an excess of $59.2 million in the previous biennium.

However, after taking into consideration the non-budgeted accrued expenses of $8 million acknowledged for end-of-service liabilities for the current period, the funding of which has not yet been provided, and after the prior-period adjustment, the adjusted net result as at 31 December 2007 represented an excess of $32 million.

As a result, reserves and funds totalled $116.7 million at the end of the period, compared to $85.1 million for the previous biennium.

After-service health insurance liabilities

As requested by the General Assembly in its resolution 61/264 the Board has validated the after-service health insurance liabilities recorded in the financial statements. This was achieved through reliance on the external actuarial valuation and the Board's own procedures. As at 31 December 2007 after-service health insurance liabilities totalled $7.341 million and liabilities for unused vacation leave and accrued repatriation benefits totalled $4.879 million.

Disclosure in the financial statements

The information provided with the financial statements was incomplete: the resources of the regular budget that UN-Habitat benefited from did not appear in its financial statements, although they appeared in its budget. The related expenditure was not recorded in the financial statements of UN-Habitat, but in those of the United Nations.

Progress towards the implementation of the International Public Sector Accounting Standards

UN-Habitat has not yet elaborated a specific plan for the implementation of the International Public Sector Accounting Standards.

Non-expendable property

An amount of $10.4 million is shown in note 15 to the financial statements. However, (a) a comprehensive physical inventory to support that figure had not been completed at the time of the audit and (b) tests carried out in the assets records revealed significant deficiencies. The Board is concerned about the insufficiency of asset management at UN-Habitat.

Consultants, experts and temporary assistance

The Regional Office for Asia and the Pacific made extensive use of consultants and service contracts. In some cases the Regional Office had overlooked the rules governing the selection process.

Programme and project management

The Board's examination of the project management of the Regional Office for Asia and the Pacific revealed the need to reinforce the links with the thematic activities carried out by headquarters divisions. The Board's attention was also drawn to the implementation time frame of certain projects in difficult regions.

Internal audit findings

The Office of Internal Oversight Services focused on the UN-Habitat Slum Upgrading Facility, its project in Kosovo funded by the European Agency for Reconstruction and its projects in Afghanistan.

As regards projects in Afghanistan, the Regional Office for Asia and the Pacific recovered resources from the projects to meet the costs of common technical, managerial and administrative services rendered for implementation. The resources were to be recorded as income to an umbrella project for subsequent utilization to support general cross-cutting UN-Habitat activities in Afghanistan. Approximately $7 million had been transferred to the umbrella project as at February 2007. Sufficient documentation was not available to demonstrate that the umbrella project was being used as intended, and there was inaccurate financial reporting on individual projects.

The existing umbrella project was suspended and UN-Habitat agreed to open a new one, which was supposed to charge costs on a prorated basis to the relevant projects and get appropriate approval to use the funds for common costs. Guidelines on how to correctly allocate the cost to the donors were in preparation. A report explaining Afghanistan expenditure was pending, the content of which was to be notified to the donors.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are set out in paragraph 10 of the present report.

[a] Figures for the biennium ended 31 December 2005 have been restated in the financial statements for the biennium ended 31 December 2007, as detailed in note 7 to the 2006-2007 financial statements. Unless indicated otherwise, the figures for the 2004-2005 biennium used in this report for comparative purposes are the restated figures disclosed in the financial statements for the 2006-2007 biennium.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the financial period from 1 January 2006 to 31 December 2007, in accordance with General Assembly resolution 74 (I), dated 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion on whether the financial statements were a fair representation of the financial situation of UN-Habitat as at 31 December 2007 and the results of operations for this period, in compliance with United Nations accounting standards. This involved verifying that the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit also included a general review of financial systems and internal controls and a sample verification of the accounting records and other supporting evidence to the extent considered necessary by the Board to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board conducted management reviews under financial regulation 7.5. This requires the Board to make observations on the efficiency of financial procedures, the accounting system and the internal financial controls of UN-Habitat and generally on the administration and management of its operations. The General Assembly also requested the Board to follow up and report on previous recommendations. These matters are addressed in paragraphs 12 to 20.

4. In accordance with General Assembly resolution 61/233 A, the present report includes information relating to the adoption of the International Public Sector Accounting Standards in 2010. The Advisory Committee on Administrative and Budgetary Questions indicated in document A/61/350 that the adoption of those standards in 2010 will require that the organizations adapt their enterprise resource planning systems and take this opportunity to undertake studies on system standardization. Consequently, the Board decided to carry out a gap analysis relating to the implementation of the International Public Sector Accounting Standards and new or upgraded enterprise resource planning systems.

5. In accordance with General Assembly resolution 61/264, after-service health insurance liabilities were presented on the face of the financial statements. The present report provides information on the method used to disclose these liabilities, as well as the other end-of-service liabilities, which previously were recorded only in the notes to the financial statements.

6. The Board continued to report the results of its audit to the Administration in the form of management letters containing detailed findings and recommendations,

which resulted in an ongoing dialogue. There were two management letters for the period under review.

7. Where observations in the present report refer to specific locations, such observations apply only to the locations specified. It is not implied that they are or are not applicable to other locations.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

9. The Board continues to coordinate with the Office of Internal Oversight Services in the planning of its audits in order to avoid duplication of effort and to determine to what extent the work of internal auditors could be used.

3. Main recommendations

10. The Board's main recommendations are that UN-Habitat:

(a) **Conduct an inventory of expendable items as at the end of the biennium and account for and disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards (para. 18);**

(b) **Regularly monitor its level of liquidity, in order to eliminate any potential for unnecessary delay in the implementation of projects (para. 34);**

(c) **Set up specific funding for end-of-service and after-service health insurance liabilities (para. 45);**

(d) **Disclose in its financial statements its resources from the United Nations regular budget and the related expenditure (para. 51);**

(e) **Establish a working group for the implementation of both the International Public Sector Accounting Standards and the enterprise resource planning system (para. 56);**

(f) **Justify the amounts relating to non-expendable property and reconcile them with the values provided by the physical inventories (para. 61);**

(g) **Look at options for reducing to a minimum the manual processing done in the course of preparing the financial statements (para. 87).**

11. The Board's other recommendations appear in paragraphs 65, 67, 70, 73, 80, 90, 95, 98 and 104.

B. Detailed findings and recommendations

1. Follow-up on previous recommendations

12. In accordance with section A, paragraph 7, of General Assembly resolution 51/225, the Board reviewed the actions taken by UN-Habitat to implement the recommendations made in its report for the biennium ended 31 December 2005.

13. Out of a total of 18 recommendations, 14 (78 per cent) were fully implemented, 3 (17 per cent) were partially implemented and 1 (5 per cent) was not accepted and therefore not implemented. Details are shown in the annex to the present report.

Recommendations partially implemented

14. The Board recommended in paragraph 49 of its previous report that the activities mentioned in UN-Habitat reports on the management of its projects refer to the schedule set in the approved workplans and that potential delays be quantified and indicated in the reports. UN-Habitat continued to remind its partners of the seriousness of delays during regular three-party meetings and steering committee meetings.

15. The Board recommended in paragraph 57 of its previous report that the Administration coordinate with the United Nations Office at Nairobi to review the receivables due and request prompt payment from the United Nations Development Programme (UNDP). UN-Habitat contacted UNDP to obtain the payments.

16. The Board recommended in paragraph 98 of its previous report that UN-Habitat, in conjunction with the United Nations Office at Nairobi, coordinate with the United Nations Secretariat in respect of the need for Integrated Management Information System (IMIS) enhancement to prevent over-obligation or overexpenditure in technical cooperation projects and to reflect the actual financial status of projects in the IMIS-generated status reports. UN-Habitat pointed out that the enhancement of IMIS was not its responsibility but that of the United Nations Secretariat, which is working on it.

Recommendation not implemented

17. UN-Habitat did not accept the recommendation in paragraph 25 of the previous report of the Board that expendable items be accounted for and disclosed in the financial statements pursuant to the provisions of paragraph 49 (iv) of the United Nations system accounting standard. According to UN-Habitat, that provision did not apply to expendable items. The Board maintains that the disclosure of the value of the expendable properties is required by the United Nations system accounting standards and that that requirement will be confirmed by the forthcoming International Public Sector Accounting Standards.

18. The Boards reiterates its previous recommendation that **UN-Habitat conduct an inventory of expendable items as at the end of the biennium and account for and disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards.**

Ageing of previous recommendations

19. As requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8), the Board also analysed the ageing of its previous recommendations that were partially or not yet implemented. The financial periods in which such recommendations were first made are indicated in the annex to the present report.

20. Of the three partially implemented and one unimplemented recommendations, three (75 per cent) related to the 2004-2005 period and one (25 per cent) to the 2002-2003 period.

2. General presentation

21. The General Assembly, in its resolution 56/206, decided to transform the Commission on Human Settlements and its secretariat, the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, with effect from 1 January 2002, into the United Nations Human Settlements Programme (UN-Habitat).

22. The Governing Council, made up of 58 member States elected by the Economic and Social Council, constitutes the intergovernmental management structure of UN-Habitat. It meets every two years and reports to the General Assembly via the Economic and Social Council. It is in charge of the general policy, management and supervision of UN-Habitat. More specifically, it is responsible for reviewing the biennial work programme of UN-Habitat, the budget for the United Nations Habitat and Human Settlements Foundation and the operational activities carried out by UN-Habitat.

23. The UN-Habitat mandate is the social promotion, as part of a sustainable development process, of accommodation suitable for everyone. It has recently been entrusted with several important mandates, in keeping with the Millennium Development Goals, with a view to significantly improving by 2020 the living conditions of at least 100 million people living in precarious housing and reducing by half the share of the population without access to water and wastewater treatment by 2015.

24. As at 31 December 2007, UN-Habitat employed 318 staff, comprising 188 international Professionals, 8 National Professional Officers and 122 General Service staff.

25. Although they constitute distinct units, the United Nations Office at Nairobi and UN-Habitat are interdependent organizations and their management is integrated. The United Nations Office at Nairobi provides UN-Habitat with administrative and financial services. It is for this reason that the majority of recommendations made to UN-Habitat should be implemented in collaboration with UNON.

26. Since 2004, to reflect fully the activities of UN-Habitat, and with the agreement of the United Nations Secretariat, a combined financial report has been established, incorporating technical cooperation activities and the activities of the United Nations Habitat and Human Settlements Foundation.

3. Financial overview

Key financial ratios

27. The financial situation of UN-Habitat appeared healthy. The main indicators showed a high level of liquidity.[1]

[1] All comparisons have been made using the restarted 2004-2005 balances.

Table II.1
Ratios of key financial indicators

Ratio	*Year ended 31 December*		*2007 ratio dividend and divider (millions of United States dollars)*
	2004-2005	*2006-2007*	
Outstanding voluntary contributions/assets[a]	0.00	0.01	2 265/266 192
Cash/total assets[b]	0.59	0.65	174 159/266 192
Cash/liabilities[c]	0.97	1.17	174 159/149 436
Unliquidated obligations/total liabilities[d]	0.44	0.39	58 879/149 436

[a] A low indicator indicates a healthy financial position.
[b] A high indicator indicates a healthy financial position.
[c] A low indicator means that insufficient cash is available to settle debts.
[d] A low indicator means that obligations are being liquidated.

28. The level of cash held was, as at 31 December 2007, 34.9 per cent higher than that of 31 December 2005. Between the two financial periods, the cash situation, or the sum of cash and term deposits and of the cash pool, increased by $45.1 million.

29. The high level of liquidity was partially explained by the financial rules that govern the expenditure of general trust funds and technical cooperation trust funds. By virtue of article III.A.1 of administrative instruction ST/AI/284 and article IV.B of administrative instruction ST/AI/285, expenditure can be incurred on a trust fund only if the funds required to pay the expenditure have been previously made available. As a result, UN-Habitat necessarily and permanently held significant available cash, due to the delay between the cashing of contributions and related expenditure.

30. Table II.2 compares the evolution of the cash situation with that of voluntary contributions and expenditure for the 2002-2003, 2004-2005 and 2006-2007 financial periods.

Table II.2
Compared evolution of contributions, expenditure and cash

Line items	*2002-2003*	*2004-2005*		*2006-2007*	
		Amount (millions of United States dollars)	*Change (percentage)*	*Amount (millions of United States dollars)*	*Change (percentage)*
Voluntary contributions	76.0	196.5	158.0	257.9	31.2
Expenditure	94.8	169.3	78.6	250.4	47.9
Cash	62.4	129.0	106.0	174.1	34.9

31. Liquidity has risen sharply in the last two financial periods, particularly in 2006-2007 (34.9 per cent), and more so than contributions (31.2 per cent). According to UN-Habitat, this situation may be due in part to the fact that approximately 40 per cent of the contributions obtained in the 2006-2007 biennium

were received during the second semester of 2007, $40 million in December 2007 alone.

32. Interest income increased significantly in 2006-2007 ($12.7 million, compared with $4.1 million in 2004-2005). This evolution was explained by the increase in interest rates. It was also due to the rise in the average amount invested during the entire period.

33. Although the levels of monthly liquidity were known, UN-Habitat did not compare them with the disbursement requirements. Project implementation time was monitored on a project-by-project basis but there were no overall data available. It was therefore impossible to analyse more specifically the average expenditure implementation time in relation to the launch of a project, let alone in relation to the collection of the contribution that financed the project. This increasing trend could have been interpreted as a sign of continuing difficulty in finalizing and implementing the projects.

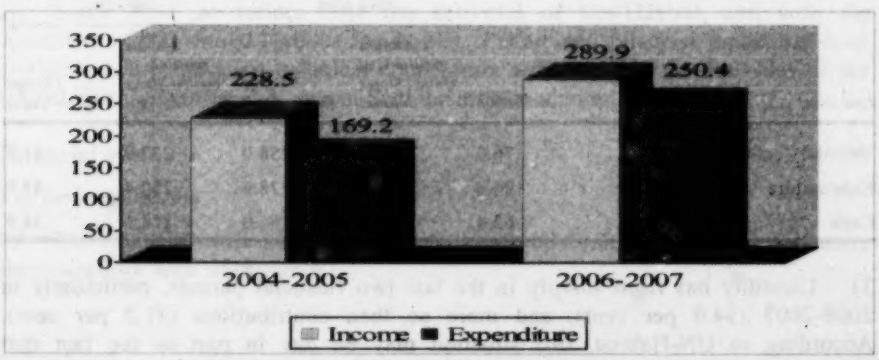
34. **The Board recommends that UN-Habitat regularly monitor its level of liquidity in order to eliminate any potential for delay in the implementation of the projects.**

35. UN-Habitat commented that the surplus in cash levels was a result of an increased number of donors providing their funding in advance for multi-year projects and should not be perceived as delayed implementation.

4. Statement of income and expenditure

36. Total income for the period under review amounted to $289.9 million, while total expenditure amounted to $250.4 million. Compared with the previous financial period, resources rose by 26.9 per cent, or $61.5 million. Charges increased by 47.9 per cent, or $81.1 million. UN-Habitat recorded a $39.5 million operating surplus before taking into account a charge of $8 million relating to end-of-service or post-retirement benefits, as well as adjustments relating to the previous financial year. These elements reduced the surplus to $32 million. The comparison with the 2004-2005 financial period is shown in figure II.I.

Figure II.I
Comparative income and expenditure
(Millions of United States dollars)



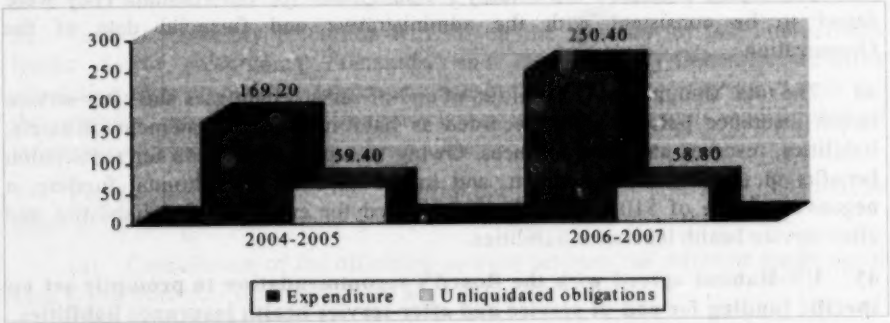
37. The increase in resources was due to the rise in voluntary contributions (31.2 per cent, or $61.4 million) and in investment income, which more than doubled between the two financial periods ($8.6 million more).

5. Statement of assets, liabilities, reserves and fund balances

Unliquidated obligations

38. Unliquidated obligations as at 31 December 2007 amounted to $58.8 million, representing 23.5 per cent of the total expenditure. At the end of the previous financial period, they amounted to $59.5 million, or 35.1 per cent of expenditure. The very small increase in unliquidated obligations, despite a 47.9 per cent increase in expenditure, was proof that UN-Habitat had improved its capacity to liquidate its expenditure commitments from the previous financial period. Figure II.II shows unliquidated obligations against expenditure for the two financial periods.

Figure II.II
Comparative evolution of unliquidated obligations and expenditure
(Millions of United States dollars)



6. End-of-service and post-retirement liabilities

39. In accordance with General Assembly resolution 61/264, the Administration changed the disclosure of both after-service health insurance liabilities and end-of-service liabilities. These liabilities were previously disclosed in the notes to the financial statements and they are now disclosed on the face of them.

40. Note 13 to the financial statements reflected gross end-of-service liabilities amounting to $12.2 million. Of that amount, after-service health insurance represented $7.3 million, unused vacation leave credits $2.9 million and repatriation costs $2.0 million.

41. These liabilities were assessed by the actuary with regard to the staff posted to Nairobi as shown in table II.3:

Table II.3
Actuarial value of end-of-service liabilities
(Millions of United States dollars)

	Present value of future benefits	*Accrued liability*
Gross liability	16.562	9.944
Retired staff contributions	(4.373)	(2.603)
Net liability	12.189	7.341

42. The actuarial value of health insurance benefits corresponds to the discounted value of the benefits to be paid in the future to all currently retired staff and active staff members expected to retire, less retired staff contributions. Accrued liabilities represent the portion of the actual value of benefits accrued by staff members between their entry into service and the valuation date. Active staff members' benefits are fully accrued when such staff members have reached the date of full eligibility for retirement benefits.

43. The Board examined the actuary's assumptions for UN-Habitat. They were found to be consistent with the administrative and financial data of the Organization.

44. The total amount of $12.2 million of end-of-service liabilities and after-service health insurance liabilities was recorded as liabilities in the statement of assets, liabilities, reserves and fund balances. Owing to a provision made for repatriation benefits in the previous biennium, and in the absence of additional funding, a negative balance of $10.4 million was recorded for end-of-service liabilities and after-service health insurance liabilities.

45. **UN-Habitat agreed with the Board's recommendation to promptly set up specific funding for end-of-service and after-service health insurance liabilities.**

7. Disclosure in financial statements

46. The resources from the regular budget of the United Nations to cover UN-Habitat expenditure amounted to $28 million, or 9.6 per cent of UN-Habitat income, for the biennium 2006-2007.

47. Although UN-Habitat managed the resources allocated by the United Nations from the regular budget, those resources and the related expenditure were not disclosed in the UN-Habitat financial statements. They were disclosed only in statement IV of the United Nations financial statements, reporting the appropriations for the different sections of the Secretariat's budget, notably section 15, Human settlements.

48. As a result, budgets examined by the UN-Habitat Governing Council showed a total amount of resources that included the resources from the United Nations regular budget, while the UN-Habitat financial statements recorded a total amount of resources and expenditure not including those from the regular budget. Therefore, there was a discrepancy between the presentation of the resources to the Governing Council and the reporting on their use in the financial statements.

49. The lack of any record of the regular budget resources and the related expenditure in the financial statements did not appear to comply with the principle laid down in paragraph 5 (iii) of the United Nations system accounting standards, which states: "financial statements should disclose all items which are material enough to affect evaluations or decisions and all information which is necessary to make the statements clear and understandable".

50. Note 2 (j) to UN-Habitat financial statements states: "the regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Human Settlements Programme. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. They are not considered further in this report". This did not make it possible to know the amount of the regular resources available to UN-Habitat.

51. **UN-Habitat agreed with the Board's recommendation to disclose in its financial statements its resources from the United Nations regular budget and the related expenditure.**

8. Progress towards the implementation of the International Public Sector Accounting Standards

52. General Assembly resolution 61/233, on the adoption of the International Public Sector Accounting Standards, and the Secretary-General's directive stipulating their progressive implementation by 2010 represent a major change for the organizations concerned. This switchover requires an overall modification of information technology procedures and systems.

53. For the biennium 2006-2007, UN-Habitat modified its accounting methods to adapt to the International Public Sector Accounting Standards in three ways:

(a) Cancellation of the offsetting process between the different funds, as all cash flows were now disclosed in the accounting statements;

(b) Cancellation of the offsetting process between accounts receivable and accounts payable;

(c) Integration of various benefits into liabilities, as specifically examined in the present report.

54. Relying on the Task Force established to prepare the implementation of the International Public Sector Accounting Standards for the entire United Nations system, UN-Habitat had not yet finalized any plan or adopted any budget to address its specific needs in respect of the International Public Sector Accounting Standards and the related enterprise resource planning system issue.

55. The lack of preparation by UN-Habitat for the implementation of the International Public Sector Accounting Standards would entail a risk of problems at a later date, such as software implementation problems or the insufficient training of staff.

56. **UN-Habitat agreed with the Board's recommendation to establish, in conjunction with the United Nations Environment Programme (UNEP) and the United Nations Office at Nairobi, a working group for the implementation of both the International Public Sector Accounting Standards and the enterprise resource planning system.**

57. UN-Habitat commented that it had already established a team to ensure coordination with the United Nations Office at Nairobi and UNEP and that it was in the process of recruiting a Professional staff responsible for the International Public Sector Accounting Standards and the related enterprise resource planning issue.

9. Non-expendable property

58. Administrative instruction ST/AI/2003/5 defines non-expendable property as follows:

(a) Property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years;

(b) Items considered to be of an attractive nature and easily removable from the premises where they are located, costing $500 or more per unit at the time of purchase and with a serviceable life of three years or more;

(c) Group inventory items, such as furniture and modular workstations, irrespective of their value but with a serviceable life of five years or more.

59. At the end of the biennium 2006-2007, UN-Habitat non-expendable property amounted to $10.4 million. As at 1 January 2006 non-expendable property amounted to $5.6 million. These amounts related to the non-expendable property of the Nairobi headquarters as well as that of regional and field offices.

60. The Board noted that a comprehensive physical inventory to support this figure had not been completed at the time of the audit, and that tests carried out in the assets records revealed significant deficiencies.

61. **UN-Habitat agreed with the Board's recommendation to justify the amounts relating to non-expendable property and reconcile these amounts with the values provided by the physical inventories.**

62. UN-Habitat commented that the political unrest in late December 2007 and January 2008 had delayed the inventory exercise. As at 3 July 2008, the United Nations Office at Nairobi had reconciled 60 per cent of UN-Habitat non-expendable property items, and the process was expected to be finalized soon.

10. Human resources management

63. The Board has audited some aspects of the human resources management at the UN-Habitat headquarters in Nairobi.

Gender balance

64. Among 141 staff at the Professional level and above, there were 83 men and 58 women, meaning that women represented only 41.13 per cent. This gender ratio was not far from the ideal target of 50 per cent. The efforts to achieve gender balance had to be made in an unfavourable environment, as the proportion of applications from females in 2006 was only 27.11 per cent for all Professional vacancies and 19.11 per cent for positions at the P-5 level and above. Further, the majority of field posts were in post-conflict and disaster areas, which are generally not considered safe.

65. **UN-Habitat agreed with the Board's recommendation to continue to improve gender balance among its Professional staff.**

Geographical balance

66. Among staff at the Professional level and above, the main nationalities were the following: Kenyans (14), Germans (9), Canadians (8), Swedes (7) and Italians (7). UN-Habitat considered that a fixed formula for geographic representation existed only for positions funded from the regular budget and not for extrabudgetary and project/field personnel positions. However the Board is of the view that the official United Nations policy for better geographical representation should guide the filling of all posts regardless of their source of funding.

67. **UN-Habitat agreed with the Board's recommendation to make every reasonable effort to increase the geographical diversity among the Professional staff, in line with Article 101 of the Charter of the United Nations.**

Recruitment

68. The Board examined a representative sample of 23 personnel files representing approximately 10 per cent of the staff.

69. For 11 of them (48 per cent) no record of the incumbent's qualifications could be found in the files and, for 8 of them (35 per cent), no performance evaluation form was available.

70. **UN-Habitat agreed with the Board's recommendation to complete its files by systematically including records of qualifications and annual performance evaluation forms for its entire staff.**

Training

71. The distribution of tasks between the United Nations Office at Nairobi and UN-Habitat with respect to the management of staff training was not clearly defined, especially for personnel dependent on the extrabudgetary resources of UN-Habitat.

72. Consequently, in spite of several requests by the Board, neither the United Nations Office at Nairobi nor UN-Habitat was able to produce an annual training plan specifically addressing the needs of UN-Habitat.

73. **UN-Habitat agreed with the Board's recommendation to cooperate with the United Nations Office at Nairobi to establish an annual training plan for its own staff.**

11. Consultants and service contracts in the Regional Office for Asia and the Pacific

74. A sample of 29 contracts relating to national and international consultants and service contracts was reviewed during the audit of the Regional Office for Asia and the Pacific in Fukuoka, Japan, in November 2007.

75. In the light of the nature of UN-Habitat projects, the use of consultants and service contracts was widespread. As stated in administrative instruction ST/AI/1999/7, "no consultant shall provide services for more than 24 months in a 36-month period" (para. 5.3) and "the service of an individual contractor shall be limited to six, or in special circumstances, nine work-months in any period of twelve consecutive months" (para. 8.3).

76. With regard to service contracts, UN-Habitat found it difficult to comply with the regulation in terms of contract duration and renewal. Among the files examined, 12 contracts stipulated a duration surpassing the maximum. An employee's contract had been renewed five times between 2005 and 2007, including four without termination between 1 April 2006 and 31 December 2007, or 21 consecutive months. Another employee had had six successive contracts for a total duration of 43 months.

77. The use of consultants and service contracts is theoretically designed for limited types of services: service contracts should be offered only for the performance of a specific task, limited in time. However, the service contracts examined corresponded most often with clearly identified positions (radio operator, financial assistant) rather than specific tasks.

78. **UN-Habitat agreed with the Board's recommendation to comply with the applicable regulation relative to consultants and service contracts.**

79. Performance evaluation was absent from the files provided or insufficient.

80. **UN-Habitat agreed with the Board's recommendation that the regional offices issue all the performance evaluations in respect of consultant and service contracts.**

12. Enterprise resource planning system

81. During the various audits carried out during the biennium 2006-2007, the Board noticed that the procedure for producing the financial statements showed some weaknesses.

82. IMIS did not enable the UN-Habitat financial statements to be produced automatically. To overcome this deficiency, a special module known as Crystal was developed by the United Nations Office at Nairobi to extract the balances required to establish the official statements, in particular the trial balance of accounts by fund.

83. Once the data had been extracted by Crystal, the accounting service of the United Nations Office at Nairobi transposed them into spreadsheets. To obtain all data required to analyse the financial statements (balance ledger, fund balance, breakdown of income and expenditure, obligations, contributions), the accounting service made several different extracts using Crystal. The accounting service then reprocessed the data exported from Crystal so that they could be put into the form required for the financial statements.

84. The system contained time limits and risks of errors linked to the manual operations. The production of the financial statements from the data extracted from the accounting system required four stages, two of which were not automated.

85. This insufficient automation was also highlighted in the export and reprocessing manual operations required to transfer the balance accounts, held by account numbers according to the accounting chart of IMIS, to the balances reported in the financial statements, kept according to the nature of the operation.

86. Hence, the contributions recorded in the income statement as income did not appear directly in the account balance ledger for each fund, which recorded all the income in account number 5110 without distinction. In fact, there was no

sub-account by nature making it possible to distinguish between the various categories of income in the balance ledger. The record of the various types of income in the financial statements was therefore made by reprocessing transactions, fund by fund.

87. **UN-Habitat agreed with the Board's recommendation to consider options for reducing to a minimum manual processing in the course of preparing the financial statements.**

13. Programme and project management by the Regional Office for Asia and the Pacific

Project preparation phase

88. The agreement signed with local authorities in Fukuoka for the funding of the Regional Office for Asia and the Pacific stated that the funds made available to it were intended to finance development promotion actions, which included the funding of advance missions for technical cooperation projects. In 2006, the amount devoted to project development (representation activities and participation in international and regional events, project identification and preparation) totalled $228,000 in the budget forecast.

89. Despite this funding, the Regional Office for Asia and the Pacific was experiencing difficulties in expanding its project portfolio so as to cover equally the main objectives of the organization. In particular, there were problems associated with urbanization and the reduction of the number of unhealthy housing areas. UN-Habitat activity in the region had increasingly focused on emergency programmes in the past few years, in response to natural disasters (tsunami, earthquake in Pakistan, etc.) and on post-conflict reconstruction (Afghanistan) in small, mostly rural countries. By comparison, the operational projects carried out in the major, more urbanized countries of the region (China, India, etc.) were neglected.

90. **UN-Habitat agreed with the Board's recommendation that the Regional Office for Asia and the Pacific identify and implement new projects in the countries where UN-Habitat is not permanently involved.**

91. UN-Habitat commented that the Regional Office for Asia and the Pacific continued to strengthen its efforts to mobilize resources to finance the identification and development of new projects in the region.

Project implementation deadline

92. Most of the projects implemented were not completed within the initial deadline. Out of a sample of nine completed projects, all had terminated their field operations after the initial deadline, the additional time required being more than three months in each case.

93. The often difficult conditions characterizing UN-Habitat projects were partly responsible for these delays. For example, the projects implemented in Afghanistan in recent years had been repeatedly interrupted because of security problems.

94. However, delays in the implementation of projects resulted in additional administrative charges stemming from successive amendments to the agreements or budgetary reviews.

95. **UN-Habitat agreed with the Board's recommendation that the Regional Office for Asia and the Pacific continue to improve project preparation in order to identify potential implementation difficulties as accurately as possible and determine suitable implementation deadlines.**

Monitoring reports

96. The frequency of the operational project monitoring reports requested by the donors as part of the funding agreements signed with UN-Habitat was not always respected. Out of 15 projects in the process of implementation, only four were fully compliant with the donors' requests in terms of monitoring frequency.

97. Compliance with project monitoring procedures is important, not only to ensure appropriate internal information on project implementation but also to convey the image of UN-Habitat as a reliable project partner vis-à-vis the donors.

98. **UN-Habitat agreed with the Board's recommendation that the Regional Office for Asia and the Pacific submit operational monitoring reports according to the frequency set out in the project funding agreements.**

14. Internal audit findings

99. During the biennium 2006-2007, the Office of Internal Oversight Services audited the UN-Habitat Slum Upgrading Facility, the UN-Habitat project in Kosovo funded by the European Agency for Reconstruction and the UN-Habitat projects in Afghanistan. Its main findings were related to the financial management of the Afghanistan projects.

100. In July 2002 the Regional Office for Asia and the Pacific established an umbrella project with resources of different projects in Afghanistan. Those resources were recovered from the projects to meet the costs of the common technical, managerial and administrative services rendered for implementation. The resources were to be recorded as income to the umbrella project for subsequent utilization to support general cross-cutting UN-Habitat activities in Afghanistan.

101. The Regional Office for Asia and the Pacific provided the Office of Internal Oversight Services with a list detailing the projects and budget lines from which approximately $7 million had been transferred to the umbrella project as at February 2007. The accounting and controls systems were not adequate to track in a transparent manner the sources of funds and expenditure. Consequently, UN-Habitat was unable to demonstrate that the umbrella project was being used as intended, and there was inaccurate financial reporting on individual projects. Donors were informed that funds were fully utilized even when there were balances left for individual projects, which were recovered and transferred to the umbrella project and subsequently used on other UN-Habitat projects in Afghanistan for cross-cutting common services.

102. While appreciating the rationale and the need for such a financial arrangement, the Office of Internal Oversight Services observed that it was imperative that donors be informed of the system of expenditure incurred for common technical managerial and administrative services, and be provided with financial statements based on accurate information, which did not happen in this case.

103. Owing to the lack of information, the Office of Internal Oversight Services was unable to establish how much of the $7 million had been utilized for common services. While the Regional Office for Asia and the Pacific explained that it could demonstrate that the money had been used for UN-Habitat in Afghanistan, the Office of Internal Oversight Services determined that a more transparent modality should be adopted to improve the internal control arrangements. The existing umbrella project was suspended and UN-Habitat agreed to open a new one, which was supposed to charge costs on a prorated basis to the relevant projects and get appropriate approval to use the funds for common costs. Guidelines on how to correctly allocate the cost to the donors were in preparation. A report explaining Afghanistan expenditure was pending, the content of which was to be notified to the donors.

104. **UN-Habitat agreed with the Board's recommendation to (a) conclude appropriately the $7 million project in Afghanistan and (b) adopt necessary measures to ensure that all funding is used in conformity with the aims of the relevant projects and the intention of donors.**

15. Write-offs and disposals

105. In accordance with financial rule 106.8 of the Financial Regulations and Rules of the United Nations, the Administration informed the Board that losses of cash amounting to $27,920 had been written off in respect of accounts receivable.

106. The Administration, in accordance with financial rule 106.9 of the United Nations Financial Regulations, informed the Board that non-expendable property losses of $29,236 had been written off.

16. Ex gratia payments

107. Pursuant to rule 105.12 of the Financial Regulations and Rules of the United Nations, a summary statement of all ex gratia payments is submitted to the Board of Auditors within three months of the end of the financial period. UN-Habitat reported no ex gratia payment during the 2006-2007 financial period.

17. Cases of fraud or presumptive fraud

108. UN-Habitat reported no case of fraud or presumptive fraud to the Board for the biennium ended 31 December 2007.

C. Acknowledgements

109. The Board of Auditors wishes to thank the Executive Director, her assistants and the staff of the United Nations Human Settlements Programme in Nairobi and Fukuoka for the cooperation and assistance they provided to the Board's team.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Audit Commission

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Annex

Status of implementation of recommendations issued by the Board for the biennium ended 31 December 2005[a]

	Subject	*Paragraph reference*[a]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*
1.	United Nations system accounting standards	22	2004-2005	×		
2.	Presentation and disclosure of financial statements	25	2004-2005			×
3.	Write-offs	33	2004-2005	×		
4.	Project planning	38	2004-2005	×		
5 and 6.	Project reporting	42 and 45	2000-2001	× ×		
7.	Project monitoring	49	2004-2005		×	
8.	Project evaluation	52	2004-2005	×		
9.	Trust funds	57	2004-2005		×	
10.	Imprest accounts	61	2004-2005	×		
11.	Acquisitions	64	2004-2005	×		
12.	Inventory	73	2004-2005	×		
13.	Custody and control	75	2004-2005	×		
14.	Personal property receipts	79	2004-2005	×		
15.	Contracts	82	2004-2005	×		
16.	Performance evaluation	86	2002-2003	×		
17.	Staff training	92	2002-2003	×		
18.	Information technology	98	2002-2003		×	
	Total recommendations	**18**		**14**	**3**	**1**
	Percentage	**100**		**78**	**17**	**5**

[a] See A/61/5/Add.8, chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Human Settlements Programme (UN-Habitat) comprising statements numbered I to VIII, schedules numbered 5.1, 5.2, 7.1 and 7.2 and the supporting notes for the biennium ended 31 December 2007. These statements are the responsibility of the Executive Director of UN-Habitat. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of UN-Habitat that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the United Nations Financial Regulations and Rules and legislative authority.

Without qualifying our opinions expressed above, we draw attention to our findings on the following matter.

An amount of $10.4 million is shown in note 15 to the financial statements. However, a comprehensive physical inventory to support this figure had not been completed at the time of the audit, and tests carried out in the assets records revealed significant deficiencies. The Board is concerned about the insufficiency of asset management at UN-Habitat.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Habitat.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Audit Commission

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Chapter IV
Certification of the financial statements

31 March 2008

The financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2007 have been prepared in accordance with financial rule 106.10 of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information on, and clarifications of, the financial activities undertaken by the Organization during the biennium covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Human Settlements Programme, including the associated trust funds and other related accounts as disclosed in statements I to VIII, are correct.

(*Signed*) David G. **Hastie**
Chief Finance Officer
United Nations Office at Nairobi

Chapter V

Financial statements for the biennium ended 31 December 2007

Statement I

All funds summary: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Foundation (statement IV)	Technical cooperation (statement VI)	End-of-service and post-retirement benefits (statement VIII)	All funds eliminations	Total 2007	Total 2005
Income							
Voluntary contributions	Schedule 5.2 & 7.2	136 341	121 622	-	-	257 963	196 580
Funds received under inter-organization arrangements	Note 2 k(ii) & t(iii)	-	18 950	-	-	18 950	24 992
Income for services rendered		-	130	-	(59)	71	2 633
Interest income		7 373	5 384	-	-	12 757	4 107
Miscellaneous	Note 3	127	121	-	-	248	170
Total income		143 841	146 207	-	(59)	289 989	228 482
Total expenditure	Schedule 5.1 and 7.1	94 675	155 793	-	(59)	250 409	169 283
Excess/(shortfall) of income over expenditure		49 166	(9 586)	-	-	39 580	59 199
Non-budgeted accrued expenses for end-of-service and post-retirement benefits		-	-	(8 076)	-	(8 076)	-
Prior-period adjustments	Note 4	(62)	177	388	-	503	(2 554)
Net excess/(shortfall) of income over expenditure		49 104	(9 409)	(7 688)	-	32 007	56 645
Savings on prior-period obligations	Note 2 (k) (viii)	337	224	-	-	561	703
Transfer to reserves		(303)	-	-	-	(303)	(1 620)
Credits to Member States and other donors	Note 5	(85)	(859)	-	-	(944)	(1 030)
Fund balances beginning of period		36 746	46 467	(2 764)	-	80 449	25 751
Fund balances end of period	Note 14	85 799	36 423	(10 452)	-	111 770	80 449
Reserves beginning of period		2 881	1 802	-	-	4 683	3 063
Transfers to reserves		303	-	-	-	303	1 620
Reserves end of period	Note 14	3 184	1 802	-	-	4 986	4 683
Total reserves and fund balances	Note 14	88 983	38 225	(10 452)	-	116 756	85 132

Statement II

All funds summary: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Foundation (statement V)	Technical cooperation (statement VII)	End-of-service and post-retirement benefits (statement VIII)	All funds eliminations	Total 2007	Total 2005
Assets							
Cash and term deposits	Note 6	21 881	977	-	-	22 858	24 999
Cash pool	Note 6	108 651	42 650	-	-	151 301	104 040
Accounts receivable:							
Voluntary contributions	Schedule 5.2	2 265	-	-	-	2 265	134
Inter-fund balances	Note 7	19 268	51 979	1 768	-	73 015	63 591
Other	Note 8	1 385	2 349	-	-	3 734	3 401
Balances relating to projects funded by donors	Note 9	-	11 220	-	-	11 220	18 050
Other assets	Note 10	1 289	510	-	-	1 799	3 251
Total assets		154 739	109 685	1 768	-	266 192	217 466
Liabilities							
Payments or contributions received in advance	Schedule 2	10	-	-	-	10	26
Unliquidated obligations	Note 11	32 770	26 109	-	-	58 879	59 485
Accounts payable:							
Inter-fund balances	Note 7	31 545	41 825	-	-	73 370	65 412
Other	Note 12	1 431	3 526	-	-	4 957	3 903
End-of-service and post-retirement benefits	Note 13	-	-	12 220	-	12 220	3 508
Total liabilities		65 756	71 460	12 220	-	149 436	132 334
Reserves and fund balances							
Reserves	Note2(o) (p) and 14	3 184	1 802	-	-	4 986	4 683
Fund balance	Note2(q) and 14	85 799	36 423	(10 452)	-	111 770	80 449
Total reserves and fund balances	Note 14	88 983	38 225	(10 452)	-	116 756	85 132
Total liabilities reserves and fund balances		154 739	109 685	1 768	-	266 192	217 466

Statement III

All funds summary: cash flows

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Total 2007	2005
Cash flows from operating activities						
Net excess (shortfall) of income over expenditure		49 166	(9 586)	(8 076)	31 504	59 199
(Increase) decrease in						
Contributions receivable		(2 131)	-	-	(2 131)	20
Other accounts receivable		(801)	468	-	(333)	(2 660)
Other assets		(1 139)	2 591	-	1 452	(2 629)
Inter-fund balances receivable		2 516	(10 916)	(1 024)	(9 424)	(23 801)
Balances relating to projects funded by donors		-	6 830	-	6 830	(22 668)
Increase (decrease) in				-		
Contributions or payments received in advance		(16)	-	-	(16)	16
Unliquidated obligations		15 374	(15 980)	-	(606)	33 778
Accounts payable		(588)	1 642	-	1 054	950
Other liabilities		-	-	-	-	(1429)
Inter-fund balances payable		15 697	(7 739)	-	7 958	25 200
End-of-service and post-retirement benefits		-	-	8 712	8 712	3 508
Less: interest income		(7 373)	(5 384)	-	(12 757)	(4 107)
Net cash flows from operating activities		70 705	(38 074)	(388)	32 243	65 377
Cash flows from investing activities						
(Increase) decrease in cash pools		(64 709)	17 448	-	(47 261)	(49 426)
Plus: Interest income		7 373	5 384	-	12 757	4 107
Net cash flows from investing activities		(57 336)	22 832	-	(34 504)	(45 319)
Cash flows from financing activities						
Savings on or cancellation of prior-period obligations		337	224	-	561	703
Credits to Member States		(85)	(859)	-	(944)	(1 030)
Other adjustments to reserves and fund balances		(62)	177	388	503	(2 554)
Net cash flows from financing activities		190	(458)	388	120	(2 881)
Net increase (decrease) in cash and term deposits		13 559	(15 700)	-	(2 141)	17 177
Cash and term deposits, beginning of period		8 322	16 677	-	24 999	7 822
Cash and term deposits, end of period	Note 6	21 881	977	-	22 858	24 999

Statement IV

Foundation activities: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Human Settlements Foundation	Water and Sanitation trust fund	Palestinian trust fund	Experimental Reimbursable Seeding Operations trust fund	Programme support	All funds eliminations	Total 2007	Total 2005
Income									
Voluntary contributions	Schedule 5.2	80 612	50 303	2 546	2 880	-	-	136 341	79 729
Income for services rendered		-	-	-	-	6 757	(6 757)	-	-
Interest income		5 191	1 687	196	-	299	-	7 373	1 678
Miscellaneous	Note 3	127	-	-	-	-	-	127	58
Total income		85 930	51 990	2 742	2 880	7 056	(6 757)	143 841	81 465
Total expenditure	Schedule 5.1	58 221	38 865	571	-	3 775	(6 757)	94 675	61 770
Excess/(shortfall) of income over expenditure		27 709	13 125	2 171	2 880	3 281	-	49 166	19 695
Prior-period adjustments	Note 4	(62)	-	-	-	-	-	(62)	547
Net excess of income over expenditure		27 647	13 125	2 171	2 880	3 281	-	49 104	20 242
Savings on prior-period obligations	Note 2 (k) (viii)	311	-	-	-	26	-	337	441
Transfers to reserves		-	-	-	-	(303)	-	(303)	(1 620)
Credits to Member States and other donors	Note 5	(85)	-	-	-	-	-	(85)	(435)
Fund balances, beginning of period		24 814	11 205	727	-	-	-	36 746	18 118
Fund balances, end of period		52 687	24 330	2 898	2 880	3 004	-	85 799	36 746
Reserves, beginning of period		2 419	-	-	-	462	-	2 881	1 261
Transfers to reserves		-	-	-	-	303	-	303	1 620
Reserves, end of period		2 419	-	-	-	765	-	3 184	2 881
Total reserves and fund balances		55 106	24 330	2 898	2 880	3 769	-	88 983	39 627

Statement V
Foundation activities: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Human Settlements Foundation	Water and Sanitation trust fund	Palestinian trust fund	Experimental Reimbursable Seeding Operations trust fund	Programme support	All funds eliminations	Total 2007	Total 2005
Assets									
Cash and term deposits	Note 6	21 881	-	-	-	-	-	21 881	8 322
Cash pool	Note 6	69 330	31 543	3 064	-	4 714	-	108 651	43 942
Accounts receivable:									
Voluntary contributions	Schedule 5.2	2 265	-	-	-	-	-	2 265	134
Inter-fund balances	Note 7	3 649	12 724	15	2 880	-	-	19 268	21 784
Other	Note 8	1 251	134	-	-	-	-	1 385	584
Other assets	Note 10	1 288	1	-	-	-	-	1 289	150
Total assets		99 664	44 402	3 079	2 880	4 714	-	154 739	74 916
Liabilities									
Payments or contributions received in advance	Schedule 5.2	10	-	-	-	-	-	10	26
Unliquidated obligations	Note 11	12 702	19 864	176	-	28	-	32 770	17 396
Accounts payable:									
Inter-fund balances	Note 7	30 629	-	-	-	916	-	31 545	15 848
Other	Note 12	1 217	208	5	-	1	-	1 431	2 019
Total liabilities		44 558	20 072	181	-	945	-	65 756	35 289
Reserves and fund balances									
Reserves	Note2(o) (p) and 14	2 419	-	-	-	765	-	3 184	2 881
Fund balance	Note2(q) and 14	52 687	24 330	2 898	2 880	3 004	-	85 799	36 746
Total reserves and fund balances		55 106	24 330	2 898	2 880	3 769	-	88 983	39 627
Total liabilities, reserves and fund balances		99 664	44 402	3 079	2 880	4 714	-	154 739	74 916

Schedule 5.1
Status of allocations

United Nations Human Settlements Programme
for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Allocation	Unliquidated obligations	Disbursements	Total expenditures	Unencumbered balance
Programme activities					
Staff and other personnel costs	15 557	51	14 323	14 374	1 183
Contractual services	895	146	407	553	342
Travel	565	28	459	487	78
Operating expenses	2 117	58	1 881	1 939	178
Acquisitions	296	23	178	201	95
Subtotal	19 430	306	17 248	17 554	1 876
Non-earmarked projects					
Staff and other personnel costs	2 278	226	1 832	2 058	220
Contractual services	255	28	220	248	7
Travel	818	69	692	761	57
Operating expenses	813	168	597	765	48
Acquisitions	377	28	277	305	72
Subtotal	4 541	519	3 618	4 137	404
Earmarked projects					
Staff and other personnel costs	16 974	2 798	10 555	13 353	3 621
Contractual services	11 987	4 606	4 968	9 574	2 413
Travel	3 912	301	2 772	3 073	839
Operating expenses	9 893	1 989	3 851	5 840	4 053
Acquisitions	509	40	205	245	264
Fellowships, grants and contributions	1 442	151	1 261	1 412	30
Programme support costs	4 049	-	3 033	3 033	1 016
Subtotal	48 766	9 885	26 645	36 530	12 236
Total Human Settlements Foundation	72 737	10 710	47 511	58 221	14 516
Water and Sanitation trust fund					
Staff and other personnel costs	8 554	2 018	6 111	8 129	425
Contractual services	21 286	14 446	6 045	20 491	795
Travel	1 399	203	1 175	1 378	21
Operating expenses	4 825	1 437	3 315	4 752	73
Acquisitions	1 201	124	326	450	751
Programme support costs	3 880	-	3 665	3 665	215
Subtotal	41 145	18 228	20 637	38 865	2 280
Palestinian trust fund					
Staff and other personnel costs	514	18	235	253	261
Contractual services	1 642	67	(19)	48	1 594
Travel	200	16	106	122	78
Operating expenses	306	27	54	81	225
Acquisitions	39	6	2	8	31
Programme support costs	311	-	59	59	252
Subtotal	3 012	134	437	571	2 441

	Allocation	Unliquidated obligations	Disbursements	Total expenditures	Unencumbered balance
Programme support					
Staff and other personnel costs	3 644	9	3 267	3 276	368
Contractual services	123	18	57	75	48
Travel	44	-	42	42	2
Operating expenses	407	-	348	348	59
Acquisitions	52	1	33	34	18
Subtotal	4 270	28	3 747	3 775	495
Total	**121 164**	**29 100**	**72 332**	**101 432**	**19 732**
Less: elimination of programme support costs				(6 757)	
Net total expenditures				**94 675**	
				Statement IV	

Schedule 5.2
Status of contributions

United Nations Human Settlements Programme

(United States dollars)

Country/ organization	Unpaid pledges as at 1 January 2006	Adjustments to prior year's pledges and receipts	Collections of prior pledges	Pledges for 2006-2007	Collections for future years	Collections of 2006-2007 pledges	Unpaid pledges for 2006-2007 and prior years
Non-earmarked contributions							
Algeria	-	-	-	20 000	10 000	20 000	-
Argentina	-	-	-	3 000	-	3 000	-
Austria	-	-	-	167 489	-	167 489	-
Barbados	-	-	-	6 000	-	6 000	-
Bhutan	1 200	-	1 200	-	-	-	-
Botswana	-	-	-	13 808	-	13 808	-
Burkina Faso	-	-	-	22 552	-	-	22 552
Cameroon	-	-	-	3 914	-	3 914	-
Chile	1 000	-	1 000	10 000	-	10 000	-
Colombia	7 222	-	7 222	24 000	-	24 000	-
Cyprus	-	-	-	3 600	-	-	3 600
Czech Republic	-	-	-	231 011	-	231 011	-
Egypt	4 706	(4 706)	-	-	-	-	-
Eritrea	-	-	-	572	-	572	-
Ethiopia	-	-	-	9 700	-	9 700	-
Finland	-	-	-	1 203 268	-	1 203 268	-
France	-	-	-	392 200	-	392 200	-
Germany	-	-	-	380 280	-	380 280	-
Ghana	-	-	-	10 000	-	10 000	-
Greece	30 000	-	30 000	60 000	-	60 000	-
India	-	-	-	160 000	-	80 000	80 000
Indonesia	-	-	-	36 535	-	36 535	-
Italy	-	-	-	2 594 760	-	2 594 760	-
Israel	-	-	-	20 000	-	20 000	-
Japan	-	-	-	312 504	-	164 140	148 364
Kenya	16 004	-	16 004	110 000	-	93 351	16 649
Republic of Korea	-	-	-	24 982	-	24 982	-
Madagascar	15 980	(15 980)	-	1 000	-	-	1 000
Morocco	8 000	-	8 000	-	-	-	-
Netherlands	-	-	-	3 001 240	-	3 001 240	-
Norway	-	-	-	6 672 367	-	6 672 367	-
Pakistan	-	-	-	11 998	-	11 998	-
Panama	-	-	-	1 000	-	1 000	-
Philippines	-	-	-	3 949	-	1 876	2 073

Country/ organization	Unpaid pledges as at 1 January 2006	Adjustments to prior year's pledges and receipts	Collections of prior pledges	Pledges for 2006-2007	Collections for future years	Collections of 2006-2007 pledges	Unpaid pledges for 2006-2007 and prior years
Poland	-	-	-	10 000	-	10 000	-
Russian Federation	-	-	-	20 000	-	20 000	-
Rwanda	-	-	-	5 000	-	-	5 000
South Africa	-	-	-	33 000	-	-	33 000
Spain	-	-	-	2 134 896	-	2 134 896	-
Sri Lanka	-	-	-	30 000	-	30 000	-
Sweden	-	-	-	5 738 255	-	5 738 255	-
Trinidad and Tobago	-	-	-	1 000	-	1 000	-
Tunisia	697	-	697	1 597	-	1 597	-
Uganda	-	-	-	7 569	-	7 569	-
United Kingdom of Great Britain and Northern Ireland	-	-	-	3 894 500	-	1 941 800	1 952 700
United Republic of Tanzania	5 137	-	5 137	9 800	-	9 800	-
United States of America	-	-	-	297 000	-	297 000	-
Venezuela (Bolivarian Republic of)	43 195	-	43 195	63 195	-	63 195	-
Yemen	575	(575)	-	-	-	-	-
Total non-earmarked	**133 716**	**(21 261)**	**112 455**	**27 757 541**	**10 000**	**25 492 603**	**2 264 938**
Earmarked contributions							
Governments							
Austria	-	-	-	2 184	-	2 184	-
Bahrain	-	-	-	500 000	-	500 000	-
Belgium	-	-	-	1 500 431	-	1 500 431	-
Canada	-	-	-	2 835 707	-	2 835 707	-
China	-	-	-	211 210	-	211 210	-
Finland	-	-	-	65 096	-	65 096	-
France	-	-	-	716 959	-	716 959	-
Germany	-	-	-	242 938	-	242 938	-
Italy	-	-	-	2 487 990	-	2 487 990	-
Japan	-	-	-	807 288	-	807 288	-
Jordan	-	-	-	128 014	-	128 014	-
Kuwait	-	-	-	343 979	-	343 979	-
Netherlands	-	-	-	3 194 309	-	3 194 309	-
Norway	-	-	-	12 914 238	-	12 914 238	-
Poland	-	-	-	999 980	-	999 980	-
Russian Federation	-	-	-	729 974	-	729 974	-
South Africa	-	-	-	100 000	-	100 000	-
Spain	-	-	-	728 381	-	728 381	-
Sweden	-	-	-	5 979 360	-	5 979 360	-

Country/ organization	Unpaid pledges as at 1 January 2006	Adjustments to prior year's pledges and receipts	Collections of prior pledges	Pledges for 2006-2007	Collections for future years	Collections of 2006-2007 pledges	Unpaid pledges for 2006-2007 and prior years
Trinidad and Tobago	-	-	-	1 500	-	1 500	-
United Kingdom of Great Britain and Northern Ireland	-	-	-	829 961	-	829 961	-
Total Governments	**-**	**-**	**-**	**35 319 499**	**-**	**35 319 499**	**-**
Government organizations							
Common Fund for Commodities	-	-	-	400 000	-	400 000	-
Department for International Development	-	-	-	256 642	-	256 642	-
Economic Commission for Africa	-	-	-	42 000	-	42 000	-
European Union	-	-	-	79 482	-	79 482	-
International Bank for Reconstruction and Development/World Bank International Finance Corporation headquarters (Washington)	-	-	-	6 019 092	-	6 019 092	-
United Nations Educational, Scientific and Cultural Organization	-	-	-	5 000	-	5 000	-
United Nations Development Programme	-	-	-	414 087	-	414 087	-
United Nations Environment Programme	-	-	-	453 241	-	453 241	-
United Nations Institute for Training and Research	-	-	-	30 618	-	30 618	-
Total Government organizations	**-**	**-**	**-**	**7 700 162**	**-**	**7 700 162**	**-**
Public donors							
Canada Mortgage Housing Corporation	-	-	-	59 985	-	59 985	-
City of Vienna	-	-	-	10 000	-	10 000	-
Dubai Municipality	-	-	-	32 977	-	32 977	-
Fukuoka International Exchange Foundation	-	-	-	1 520 873	-	1 520 873	-
Gangwon Province, Republic of Korea	-	-	-	300 000	-	300 000	-
Integrated Financial Engineering	-	-	-	113 939	-	113 939	-

Country/ organization	Unpaid pledges as at 1 January 2006	Adjustments to prior year's pledges and receipts	Collections of prior pledges	Pledges for 2006-2007	Collections for future years	Collections of 2006-2007 pledges	Unpaid pledges for 2006-2007 and prior years
International Development Research Centre	-	-	-	29 227	-	29 227	-
Japan Habitat Association	-	-	-	112 979	-	112 979	-
Municipality of Málaga	-	-	-	1 192	-	1 192	-
Pony Chung Foundation	-	-	-	100 000	-	100 000	-
Prefeitura da Cidade do Rio de Janeiro	-	-	-	481 806	-	481 806	-
Rio Municipality	-	-	-	103 898	-	103 898	-
Seville City Council	-	-	-	195 577	-	195 577	-
Soroptimist International of Kagoshima	-	-	-	10 422	-	10 422	-
Soroptimist International of the Americas Japan Minami Region	-	-	-	4 274	-	4 274	-
Space Imaging Middle East	-	-	-	29 975	-	29 975	-
Starbucks	-	-	-	500 000	-	500 000	-
Swedish International Development Cooperation Agency	-	-	-	5 950 674	-	5 950 674	-
The Ford Foundation	-	-	-	194 360	-	194 360	-
United Nations Federal Credit Union	-	-	-	5 040	-	5 040	-
Veolia Environment	-	-	-	77 538	-	77 538	-
Total public donors	-	-	-	**9 834 736**	-	**9 834 736**	-
Total earmarked	-	-	-	**52 854 397**	-	**52 854 397**	-
Total Human Settlements Foundation	**133 716**	**(21 261)**	**112 455**	**80 611 938**	**10 000**	**78 347 000**	**2 264 938**
Water and Sanitation trust fund		-					
Canada	-	-	-	3 444 119	-	3 444 119	-
Canadian International Development Agency	-	-	-	3 710 076	-	3 710 076	-
Coca Cola India Pvt Ltd.	-	-	-	51 723	-	51 723	-
Netherlands	-	-	-	19 050 432	-	19 050 432	-
Norway	-	-	-	7 937 316	-	7 937 316	-
Spain	-	-	-	11 518 387	-	11 518 387	-
Sweden	-	-	-	1 971 290	-	1 971 290	-
Swedish International Development Cooperation Agency	-	-	-	2 619 217	-	2 619 217	-
Total Water and Sanitation trust fund	-	-	-	**50 302 560**	-	**50 302 560**	-

Country/ organization	Unpaid pledges as at 1 January 2006	Adjustments to prior year's pledges and receipts	Collections of prior pledges	Pledges for 2006-2007	Collections for future years	Collections of 2006-2007 pledges	Unpaid pledges for 2006-2007 and prior years
Palestinian trust fund							
Bahrain	-	-	-	500 000	-	500 000	-
Department of Applied Agricultural Research	-	-	-	106 165	-	106 165	-
Russian Federation	-	-	-	50 000	-	50 000	-
Saudi Arabia	-	-	-	1 889 977	-	1 889 977	-
Total Palestinian trust fund	-	-	-	**2 546 142**	-	**2 546 142**	-
Experimental Reimbursable Seeding Operations trust fund							
Spain	-	-	-	2 879 597	-	2 879 597	-
Total Experimental Reimbursable Seeding Operations trust fund	-	-	-	**2 879 597**	-	**2 879 597**	-
Total Foundation activities	**133 716**	**(21 261)**	**112 455**	**136 340 237**	**10 000**	**134 075 299**	**2 264 938**
				Statement IV			**Statement V**

Ageing of contributions receivables

	Less than six months	Six months to one year	More than one year	More than two years	Total
Governments	2 247 289	16 649	1 000	-	2 264 938
Total	**2 247 289**	**16 649**	**1 000**	-	**2 264 938**

Statement VI

Technical cooperation activities: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Trust fund	United Nations Development Programme	Programme support	All funds eliminations	Total 2007	Total 2005
Income							
Voluntary contributions	Schedule 7.2	120 360	1 262	-	-	121 622	116 851
Funds received under inter-organization arrangements	Note 2 k(ii) & s(iii)	-	18 950	-	-	18 950	24 992
Income for services rendered		-	-	10 469	(10 339)	130	2 702
Interest income		4 362	-	1 022	-	5 384	2 429
Other/miscellaneous	Note 3	119	-	2	-	121	123
Total income		124 841	20 212	11 493	(10 339)	146 207	147 097
Total expenditure	Schedule 7.1	135 295	20 212	10 625	(10 339)	155 793	107 593
Excess/(shortfall) of income over expenditure		(10 454)	-	868	-	(9 586)	39 504
Prior-period adjustments	Note 4	(1)	-	178	-	177	(337)
Net excess/(shortfall) of income over expenditure		(10 455)	-	1 046	-	(9 409)	39 167
Savings on prior-period obligations	Note 2 (k) (viii)	160	-	64	-	224	262
Credits to Member States (donors)	Note 5	(815)	-	(44)	-	(859)	(595)
Fund balances, beginning of period		41 255	-	5 212	-	46 467	7 633
Fund balances, end of period		30 145	-	6 278	-	36 423	46 467
Reserves, beginning of period		-	-	1 802	-	1 802	1 802
Reserves, end of period		-	-	1 802	-	1 802	1 802
Total reserves and fund balance		30 145	-	8 080	-	38 225	48 269

Statement VII

Technical cooperation activities: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Trust fund	United Nations Development Programme	Programme support costs	All funds eliminations	Total 2007	Total 2005
Assets							
Cash and term deposits	Note 6	977	-	-	-	977	16 677
Cash pool	Note 6	42 068	-	582	-	42 650	60 098
Accounts receivable:							
Inter-fund balances	Note 7	6 752	37 520	7 707	-	51 979	41 063
Other	Note 8	1 827	433	89	-	2 349	2 817
Balances relating to projects funded by donors	Note 9	-	11 220	-	-	11 220	18 050
Other assets	Note 10	467	-	43	-	510	3 101
Total assets		52 091	49 173	8 421	-	109 685	141 806
Liabilities							
Unliquidated obligations	Note 11	20 061	5 738	310	-	26 109	42 089
Accounts payable:							
Inter-fund balances	Note 7	626	41 199	-	-	41 825	49 564
Other	Note 12	1 259	2 236	31	-	3 526	1 884
Total liabilities		21 946	49 173	341	-	71 460	93 537
Reserves and fund balances							
Reserves	Note2(o), (p) and 14	-	-	1 802	-	1 802	1 802
Fund balance	Note2(q) and 14	30 145	-	6 278	-	36 423	46 467
Total reserves and fund balances		30 145	-	8 080	-	38 225	48 269
Total liabilities, reserves and fund balances		52 091	49 173	8 421	-	109 685	141 806

Schedule 7.1
Status of allocations

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Allocation	Unliquidated obligations	Disbursements	Total expenditures	Unencumbered balance
Trust fund					
Staff and other personnel costs	45 180	4 799	33 235	38 034	7 146
Contractual services	82 949	9 351	49 480	58 831	24 118
Travel	3 607	257	2 262	2 519	1 088
Operating expenses	22 959	2 353	12 503	14 856	8 103
Acquisitions	7 087	1 304	3 995	5 299	1 788
Fellowships, grants and contributions	8 886	1 005	6 503	7 508	1 378
Programme support costs	11 080	-	8 248	8 248	2 832
Subtotal	181 748	19 069	116 226	135 295	46 453
United Nations Development Programme					
Staff and other personnel costs	6 434	484	4 728	5 212	1 222
Contractual services	10 373	3 147	6 190	9 337	1 036
Travel	681	114	346	460	221
Operating expenses	502	77	89	166	336
Acquisitions	618	114	354	468	150
Fellowships, grants and contributions	3 686	582	2 250	2 832	854
Programme support costs	2 096	-	1 737	1 737	359
Subtotal	24 390	4 518	15 694	20 212	4 178
Programme support					
Staff and other personnel costs	8 425	125	8 273	8 398	27
Contractual services	360	84	276	360	-
Travel	226	26	195	221	5
Operating expenses	1 610	67	1 493	1 560	50
Acquisitions	90	7	79	86	4
Subtotal	10 711	309	10 316	10 625	86
Total	**216 849**	**23 896**	**142 236**	**166 132**	**50 717**

Elimination of programme support costs:	
Programme support costs (automatic batch)	(9 985)
Programme support costs (direct charges):	
Trust funds	(224)
United Nations Development Programme	(130)
Total eliminations	**(10 339)**
Net total expenditures	**155 793**
	Statement VI

Schedule 7.2
Status of contributions

United Nations Human Settlements Programme

(United States dollars)

Country/organization	2007	2005
Trust fund		
Governments		
Afghanistan	4 641 812	-
Canada	5 991 072	-
China	-	500 000
Egypt	2 442 217	-
Finland	275 059	-
Iraq	385 073	-
Italy	2 296 502	16 455 049
Japan	150 000	10 703 417
Libyan Arab Jamahiriya	3 576 085	1 903 797
Luxembourg	32 548	-
Republic of Korea	7 500	-
Mexico	596 183	44 141
Morocco	148 148	-
Netherlands	405 924	2 358 476
New Zealand	-	375 585
Nigeria	408 086	200 000
Spain	1 301 925	-
Sweden	4 867 857	1 203 109
Switzerland	826 569	-
Turkey	100 000	-
United Kingdom of Great Britain and Northern Ireland	1 886 137	23 505
United States of America	381 224	1 000 000
Total Governments	**30 719 921**	**34 767 079**
Government organizations		
Canadian International Development Agency	3 272 700	-
Cyprus Aid	341 999	-
Department for International Development	727 740	-
Economic and Social Commission for Western Asia	109 969	-
European Union	12 762 095	7 040 108
International Bank for Reconstruction and Development/World Bank International Finance Corporation headquarters (Washington)	9 464 215	7 651 535
International Organization for Migration - Switzerland	45 000	-
International Finance Corporation	34 500	-
Norwegian Peoples Aid	1 249 975	-
Office for the Coordination of Humanitarian Affairs - Somalia	150 000	-
Swedish International Development Cooperation Agency	4 212 508	-
United Nations Development Group, Iraq Trust Fund	21 414 024	49 375 192
United Nations Population Fund - United States of America	9 970	-

Country/organization	2007	2005
United Nations Afghanistan Emergency Trust Fund	-	2 137 118
United Nations Assistance Mission in Afghanistan	356 825	-
United Nations Children's Fund	1 661 190	-
United Nations Development Programme	16 593 651	10 562 562
United Nations Environment Programme	64 000	50 000
United Nations General Trust Fund	1 780 293	-
Office of the United Nations High Commission for Refugees	869 157	1 724 728
United States Agency for International Development	256 990	-
United Nations Office of the Humanitarian Coordinator in Iraq	-	331 870
Total Government organizations	**75 376 801**	**78 873 113**
Public donors		
Anti-Crisis Management Foundation	-	18 074
Armenian National Committee of Canada Western Region	4 985	-
Asian Development Bank	3 679 957	-
Australian Red Cross	324 248	-
BASF AG	-	235 745
City of Munich	670 878	830 260
City of Vitoria	-	134 710
Council of Europe Development Bank	-	83 927
Educational Development Center	2 886 305	832 672
International Development Research Centre	43 363	-
International Federation of Red Cross and Red Crescent Societies	1 000 000	-
Katahira & Engineers International	1 379 602	-
Japan Habitat Association	16 500	-
Knorr Bremse Global Care	232 036	-
Stability Pact for South-Eastern Europe	199 234	-
United Arab Emirates Red Crescent	3 718 658	-
UNA Nairobi Regional Office	10 965	-
World Jewish Relief	96 965	-
Total public contributions	**14 263 696**	**2 135 388**
Total trust fund contributions	**120 360 418**	**115 775 580**
United Nations Development Programme-funded projects	**1 262 415**	**1 075 467**
Total contributions	**121 622 833**	**116 851 047**

Statement VI

Statement VIII

End-of-service and post-retirement benefits: income and expenditure and changes in reserves and fund balances, and assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	Unused vacation days	After-service health insurance	Repatriation benefits	Total 2007	Total 2005
Total income		-	-	-	-	-
Total expenditure		-	-	-	-	-
Excess/(shortfall) of income over expenditure		-	-	-	-	-
Non-budgeted accrued expenses for end-of-service and post retirement benefits		(735)	(7 341)	-	(8 076)	-
Prior-period adjustments	Note 4	-	-	388	388	(2 764)
Net excess/(shortfall) of income over expenditure		(735)	(7 341)	388	(7 688)	(2 764)
Transfer to reserves		-	-	-	-	-
Transfer to other funds		-	-	-	-	-
Fund balances, beginning of period		(2 155)	-	(609)	(2 764)	-
Fund balances, end of period		(2 890)	(7 341)	(221)	(10 452)	(2 764)
Reserves, beginning of period		-	-	-	-	-
Transfers to reserves		-	-	-	-	-
Reserves, end of period		-	-	-	-	-
Total reserves and fund balances		(2 890)	(7 341)	(221)	(10 452)	(2 764)

Statement of assets, liabilities, reserves and fund balances as at 31 December 2007

Assets						
Inter-fund balances	Note 7	-	-	1 768	1 768	744
Total assets		-	-	1 768	1 768	744
Liabilities						
End-of-service and post retirement benefits	Note 13	2 890	7 341	1 989	12 220	3 508
Total liabilities		2 890	7 341	1 989	12 220	3 508
Reserves and fund balances						
Reserves		-	-	-	-	-
Fund balance	Note 2(q) and 14	(2 890)	(7 341)	(221)	(10 452)	(2 764)
Total reserves and fund balances		(2 890)	(7 341)	(221)	(10 452)	(2 764)
Total liabilities, reserves and fund balances		-	-	1 768	1 768	744

Notes to the financial statements

Note 1
United Nations Human Settlements Programme and its objectives

(a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

(b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and the Commission on Human Settlements.

(c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the General Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme shall be responsible for the management of the United Nations Habitat and Human Settlements Foundation.

(d) The main objectives of the Programme are:

(i) To assist countries and regions in increasing and improving their own efforts to solve human settlements problems;

(ii) To promote greater international cooperation in order to increase the availability of resources of developing countries and regions;

(iii) To promote the integral concept of human settlements and a comprehensive approach to human settlements problems in all countries;

(iv) To strengthen cooperation and co-participation in this domain among all regions;

(v) To ensure the harmonization of human settlements programmes planned and carried out by the United Nations system, to coordinate human settlements activities in the United Nations system, to keep them under review and to assess their effectiveness at the inter-secretariat level;

(vi) To supplement the resources of the regions in formulating and implementing human settlement projects when required;

(vii) To serve as a focal point for global exchange of information about human settlements and to initiate public information activities on human settlements in cooperation with the Department of Public Information of the United Nations Secretariat;

(viii) To promote collaboration with and involvement of the world scientific community concerned with human settlements.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations Human Settlements Programme (UN-Habitat) are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, including the special annex of the financial rules of UN-Habitat, and specific decisions of the Governing Council. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination. The Administrative Committee on Coordination has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB as set out below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial biennium;

(vi) A change in an accounting policy that has a material effect in the current biennium or may have a material effect in subsequent bienniums should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at

the time of the transactions, at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial biennium, a footnote will be presented quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow, as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the Organization's operations presented in statements I, II and III are combined by type of fund after the elimination of all instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Under resolution 32/162 of 19 December 1977, the regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Human Settlements Programme. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. They are not considered further in this report.

(k) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial biennium. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent moneys appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized

losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with operation of investments in the cash pools are allocated to the participating funds;

(vi) Miscellaneous income includes sale of used or surplus property, refunds of expenditure charged to prior bienniums, income from net gains resulting from currency translations, settlements of insurance claims, moneys accepted for which no purpose was specified and other sundry income;

(vii) Income relating to future financial bienniums is not recognized in the current financial biennium and is recorded as payments or contributions received in advance, as referred to in item (n) (iii);

(viii) Savings from the liquidation of prior bienniums' obligations relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial bienniums is not charged to the current financial biennium and is recorded as deferred charges, as referred to in item (m) (iv) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus/minus any unamortized premium/discount. If the market value of the short-term investments is lower than the book value, the book value is adjusted accordingly (see also note 5);

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the cash pools is reported separately in each of the participating funds' statements and its composition and the market value of its investments are disclosed in note 5;

(iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial biennium. They will be charged as expenditure in a subsequent biennium. These expenditure items include commitments approved by the Controller for future financial bienniums in accordance with financial rule 106.7. Such commitments are restricted to

administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds, which are normally settled periodically dependent upon availability of cash resources;

(vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements.

(n) Liabilities and reserves and fund balances:

(i) Operating and other types of reserves are included in the "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future bienniums or payments or contributions received in advance and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial bienniums are shown as unliquidated obligations. Current biennium obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits, comprising those for after-service health insurance, unused vacation days and repatriation benefits, which were previously disclosed in notes to the financial statements, are, effective the biennium ended 31 December 2007, included as liabilities in the statement of assets, liabilities and reserves and fund balances. The change in presentation is made in order to recognize such liabilities when incurred and is in accordance with General Assembly resolution 60/255 with respect to recognition of after-service health insurance liabilities. Since July

2002, a provision calculated at 8 per cent of net base salary is made for end-of-service repatriation benefits (see note 13).

(o) Financial reserve: as stated in rule 311.2 (b) of the financial rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council.

(p) Operational reserve: with regard to the programme support costs account, and as stated in administrative instruction ST/AI/286, an operational reserve of 20 per cent of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources.

(q) Earmarked fund balance: funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.

(r) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.

(s) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions, funds received under inter-organizational arrangements from the United Nations Development Programme (UNDP) and other sources;

(ii) Effective 1 January 2002, voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pended the identification of specific projects;

(iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;

(iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(v) Unliquidated obligations for the current biennium in respect of all technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. However in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior-biennium obligations are credited to individual projects as a reduction of the current biennium expenditure in accordance with the UNDP reporting requirements;

(vi) Distribution of interest income for trust funds is calculated at the end of the year using the percentage participation of each fund based on the monthly average fund balance.

(t) The United Nations Human Settlements Programme is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the Organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the Assembly has not invoked this provision.

Note 3
Other/miscellaneous income

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Refunds of expenditures charged to prior periods	101	7	—	108	7
Sale of used property	14	—	—	14	1
Gain on currency fluctuations	11	109	—	120	2
Unidentified deposits	1	—	—	1	99
Stale cheques	—	2	—	2	—
Other sundry income	—	3	—	3	61
Total	**127**	**121**	—	**248**	**170**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Adjustments to prior-period expenditures	(40)	(1)	—	(41)	(79)
Adjustments to prior-period end-of-service and post-retirement benefits	—	—	388	388	(2 764)
Adjustments to prior-period programme support	—	180	—	180	—
Adjustments to prior-period pledges	4	—	—	4	68
Write-offs	(26)	(2)	—	(28)	(5)
Other	—	—	—	—	226
Total	**(62)**	**177**	**388**	**503**	**(2 554)**

Note 5
Credits to Member States (donors)

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Bundesanstalt Fur Arbeit Zentralstelle Fur Arbeitsvermittlung	(49)	—	—	(49)	—
Canadian International Development Agency	—	—	—	—	(30)
Danish Ministry of Foreign Affairs	—	—	—	—	(286)
Development Cooperation Ireland	—	—	—	—	(3)
European Commission	—	—	—	—	(106)
Government of the Netherlands	(5)	(2)	—	(7)	—
International Bank for Reconstruction and Development/World Bank International Finance Corporation headquarters (Washington)	—	(44)	—	(44)	(41)
Netherlands Embassy in Washington, D.C.	(31)	—	—	(31)	—

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
United Nations Development Group, Iraq Trust Fund, Bureau for Resources and Strategic Partnerships/United Nations Development Programme	—	(633)	—	(633)	(127)
Office of the United Nations High Commissioner for Refugees	—	(7)	—	(7)	(10)
United Nations General Trust Fund	—	—	—	—	(2)
United Nations escrow (Iraq) account	—	—	—	—	(425)
United States Agency for International Development	—	(173)	—	(173)	—
Total	**(85)**	**(859)**	—	**(944)**	**(1 030)**

Note 6
Convertible and non-convertible cash and term deposits and cash pool as at 31 December 2007

(Thousands of United States dollars)

	Reference	*Cash and term deposits*	*United Nations cash pool*
Foundation activities			
United States dollars[a,b]		21 719	108 651
Indian rupees[c]		162	—
Total	**Statement V**	**21 881**	**108 651**
Represented by: Cash and term deposits		21 881	55 361
Short-term investments at lower cost or market value		—	32 097
Long-term investments		—	20 752
Accrued interest receivable		—	441
Total		**21 881**	**108 651**
Technical cooperation activities			
United States dollars[a,b]	Statement VII	977	42 650
Represented by: Cash and term deposits		977	21 731

	Reference	Cash and term deposits	United Nations cash pool
Short-term investments at lower cost or market value		—	12 600
Long-term investments		—	8 146
Accrued interest receivable		—	173
Total		**977**	**42 650**
Total Foundation and technical cooperation activities	**Statement II**	**22 858**	**151 301**

[a] All investments for offices away from Headquarters are placed in joint investment pools. The Treasury of the United Nations Secretariat is solely responsible for the investment policy, and participating offices are responsible only for their own cash flow/liquidity planning. The Treasury invests in different securities, with varying due dates and interest rates. Hence, it is not practical to indicate due dates and interest rates relating to the investment pools.

[b] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. Long-term investments are reported at book value.

[c] The exchange rate used is 39.46 Indian rupees to the dollar. In local currency amount, Indian rupees totalled 6,378,360.62 at the end of period.

Note 7
Inter-fund balances

(Thousands of United States dollars)

	Foundation activities	Technical cooperation activities	End-of-service and post-retirement benefits	Total 2007	Total 2005
Inter-fund balances receivable	19 268	51 979	1 768	73 015	63 591
Inter-fund balances payable	(31 545)	(41 825)	—	(73 370)	(65 412)
Net inter-fund receivable/(payable)	(12 277)	10 154	1 768	(355)	(1 821)
The net inter-fund receivable/payable is due from/to					
United Nations Environment Programme				—	(1 821)
United Nations Office at Nairobi				(355)	—
Net inter-fund receivable/(payable)				**(355)**	**(1 821)**

The inter-fund accounts reflect transactions between the Foundation and technical cooperation activities, the United Nations General Fund and other funds that are settled periodically. In conformity with United Nations Secretariat reporting requirements, inter-fund balances are no longer being netted off and eliminated. The 2005 inter-fund balances have been restated accordingly.

Note 8
Other accounts receivable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Staff members	533	192	—	725	562
United Nations agencies/entities	758	2 137	—	2 895	2 835
Vendors	15	11	—	26	2
Others	79	9	—	88	2
Total	**1 385**	**2 349**	**—**	**3 734**	**3 401**
Ageing of accounts:					
Less than six months	929	1 863	—	2 792	2 906
Six months to one year	321	4	—	325	61
More than one year	47	426	—	473	296
More than two years	88	56	—	144	138
Total	**1 385**	**2 349**	**—**	**3 734**	**3 401**

Note 9
Balances relating to projects funded by donors

The amount of $11.2 million shown in statement II as "Balances relating to projects funded by donors" represents an amount receivable from UNDP, in accordance with existing arrangements, of which $5.7 million relates to unliquidated obligations.

Note 10
Other assets

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Education grant advances	127	77	—	204	159
Commitments against future years	1 157	311	—	1 468	2 790
Other	5	122	—	127	302
Total	**1 289**	**510**	**—**	**1 799**	**3 251**

Note 11
Unliquidated obligations

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Prior periods	2 513	1 906	—	4 419	332
Current period	29 100	23 892	—	52 992	56 363
Future periods	1 157	311	—	1 468	2 790
Total	**32 770**	**26 109**	**—**	**58 879**	**59 485**

Note 12
Other accounts payable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Governments	161	216	—	377	70
Staff members	166	106	—	272	261
Vendors	138	836	—	974	353
United Nations agencies/entities	889	2 190	—	3 079	2 968
Others	77	178	—	255	251
Total	**1 431**	**3 526**	**—**	**4 957**	**3 903**

Note 13
End-of-service and post-retirement benefits

(a) Prior to 31 December 2007 the UN-Habitat liability for post-employment benefits was not recognized on the face of the financial statements but disclosed in the notes, as allowed under United Nations system accounting standards. However, best accounting practices on employee benefits, including International Public Sector Accounting Standard 25 and International Accounting Standard 19, require that post-employment benefits be accounted for on a full accrual basis under which the liability is to be recognized when the employee has provided the service in exchange for benefits to be paid in the future.

(b) The procedures set out below are not yet fully compliant with the International Public Sector Accounting Standards.

After-service health insurance

(a) The after-service health insurance programme at the United Nations extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff, if the eligibility requirements are met.

(b) The United Nations health benefits programmes are self-funded, with insurance companies engaged as third-party administrators for the general management of the plans and for the adjudication of claims. All claims paid by the third-party administrators are reimbursed by the United Nations and, in addition, an administrative fee is paid. Expenditures relating to the Organization's subsidy of the after-service health insurance programme are appropriated and recorded on a "pay-as-you go" basis. Commencing 31 December 2007 the Organization's liability for after-service health insurance benefits to be paid in the future is recognized in the financial statements.

(c) At present no assets have been segregated to provide for these after-service health insurance benefits.

(d) In order to gain a better understanding of the financial dimensions of the Organization's liabilities for after-service health insurance, which is a defined-benefit plan, a consulting actuary was engaged to carry out an actuarial valuation of after-service health insurance benefits. The major assumptions used by the actuary were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation. On the basis of these assumptions, it is estimated that the Organization's liability as at 31 December 2007 for after-service health insurance benefits is as shown in the table on the breakdown of end-of-service liabilities below.

Repatriation benefits

(a) United Nations staff who separate from the Organization are entitled to be paid repatriation benefits based on the number of years of service with the Organization. These benefits consist of a grant and travel costs to return staff members and dependants to their home country. The liability for repatriation benefits is recorded as a debit adjustment to reserves and fund balances and a credit to the deferred payable account.

(b) As at 31 December 2005 the liability for repatriation benefits was based only on the grant portion and measured on the basis of currently eligible staff members at current pay rates. A single liability amount for repatriation grant benefits was presented.

(c) As at 31 December 2007 the liability now also includes the travel component of repatriation benefits. The travel component is estimated on the basis of the level of the repatriation grant liability, using a five-year comparison of actual repatriation grants to related actual repatriation travel costs to derive the ratio.

Unused annual leave

(a) United Nations staff who separate from the Organization are entitled to be paid for any unused vacation days that they have accrued, up to a maximum of 60 days. The liability is measured by taking the actual number of unused vacation days within the 60-day limit (extracted from the Organization's time and attendance records) and multiplying by the current pay rate.

(b) The liability is recorded as a debit adjustment to reserves and fund balances and a credit to the deferred payable account.

Breakdown of end-of-service liabilities by major funds for the biennium ended 1 December 2007

(Thousands of United States dollars)

	Foundation	*Technical cooperation trust funds*	*Total*
After-service health insurance	5 841	1 500	7 341
Unused vacation days	1 746	1 144	2 890
Repatriation benefits	1 245	744	1 989
Total	**8 832**	**3 388**	**12 220**
Less provision already made for repatriation benefits			1 768
Liability not funded as at 31 December 2007			**10 452**

The amounts assigned to each fund are based on the posts encumbered as at the reporting date.

Note 14
Reserves and fund balances

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2007*	*Total 2005*
Financial reserve	2 419	—	—	2 419	2 419
Operating reserves	765	1 802	—	2 567	2 264
Total reserves	**3 184**	**1 802**	**—**	**4 986**	**4 683**
Earmarked fund balance	59 128	30 145	—	89 273	63 544
Cumulative surplus	26 671	6 278	(10 452)	22 497	16 905
Total fund balances	**85 799**	**36 423**	**(10 452)**	**111 770**	**80 449**

Note 15
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against the current appropriations when acquired.

	2007	2005
	(Thousands of United States dollars)	
Computer equipment	2 974	2 777
Office equipment	486	474
Radio and telecommunications equipment	159	152
Audio-visual/photographic equipment	176	162
Transportation equipment	232	254
Furniture	368	244
Maintenance equipment	12	12
Document and reproduction equipment	25	20
Regional and outposted offices	5 969	1 559
Total	**10 401**	**5 654**
Summary		
Opening balance	5 654	2 357
Acquisitions	2 272	2 653
Disposals		
Write-offs	(29)	(117)
Sales	(56)	—
Donations	(6)	—
Transfers to other offices/missions	(238)	(50)
Prior-period adjustments	2 804	811
Closing balance	10 401	5 654
Pending write-offs — awaiting approval		
Regional and outposted offices	17	—
Total pending write-offs	**17**	—

Note 16
Establishment of new trust funds

The Experimental Reimbursable Seeding Operations trust fund was established, pursuant to Governing Council resolution 21/10 of 20 April 2007, as part of the United Nations Habitat and Human Settlements Foundation:

(i) To field-test experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups, including where there is an expectation of repayments mobilizing capital at the local level;

(ii) To strengthen the capacity of local financial and development actors to carry out those operations and to support the capacity of UN-Habitat to enhance those operations.

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